



# MONTGOMERY COUNTY RETIREMENT FOCUS

1<sup>st</sup> Quarter 2019

## Important Year-End Reminders

### Financial Check-up

Everyone's road to retirement is personal so it is important to review and evaluate where you stand so you can make sound decisions along the way. Reaching your retirement savings goal starts with developing a plan now.

Schedule a one-on-one appointment to ensure you are on the right track with either **Fidelity** (*all plans except ERS*) or **Cambridge Investment Research** (*RSP & DCP*) by visiting our website at [www.montgomerycountymd.gov/retirement](http://www.montgomerycountymd.gov/retirement) and clicking on *Investment Counseling*, along the left-hand side of the page.

### Deferred Compensation Plan Contribution Limits

The Internal Revenue Service has announced that the limits for 2019 will increase from the 2018 levels. Shown below are the 2019 limits:

2019 Contribution Limits	
Regular	\$19,000
Age 50+ Limit	\$6,000 + regular Total \$25,000
3-year Catch-up	\$38,000

Questions about opening a County Deferred Compensation account or increasing your contributions? Call Fidelity at (800) 343-0860.

### Required Minimum Distribution

Will you be 70 ½ this year? Are you still working? The IRS requires members of the Retirement Saving Plan (RSP) or the Deferred Compensation (DCP), who are **no longer working** for the County, to begin taking annual distributions, from the account, once they reach age 70 ½.

If you are a member of the Guarantee Retirement Income Plan (GRIP), and not an active employee, you are required to withdraw your entire account balance when you turn 70 ½.

For more information please contact the Fidelity onsite representative at (240) 777-8228 to determine when and how much you will need to withdraw.

### Saver's Tax Credit

If you are a low-to-moderate income worker, you may be eligible for a tax credit for making eligible contributions to the County's retirement plan.

You are eligible for the credit if you are at least age 18, not a full-time student, and not claimed as a dependent on another person's return.

The amount of the credit is 50%, 20% or 10% of your retirement plan contributions up to \$2,000 (\$4,000 if married filing jointly), depending on your filing status and your adjusted gross income. To find out more information visit the IRS website at: [www.irs.gov/taxtopics/tc610](http://www.irs.gov/taxtopics/tc610)

# Important ERS Retiree Information

9898  VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.  
 Montgomery County Employees' Retirement System  
 101 Monroe Street 15th FL  
 Rockville, MD 20850

PAYER'S TIN: 30-0606393  
 RECIPIENT'S TIN: 111-11-111

RECIPIENT'S name: Benny Pension  
 Street address (including apt. no.): 100 Retirement Row  
 City or town, state or province, country, and ZIP or foreign postal code: Rockville, MD 20850

Form 1099-R

1 Gross distribution: \$ 25,801.444  
 2a Taxable amount: \$ 25,547.88  
 2b Taxable amount not determined  Total distribution

3 Capital gain (included in box 2a): \$ 0.00  
 4 Federal income tax withheld: \$ 2,247.28

5 Employee contributions/Designated Roth contributions or insurance premiums: \$ 253.56  
 6 Net unrealized appreciation in employer's securities: \$ 0.00

7 Distribution code(s): 7  
 8 Other:

9a Your percentage of total distribution: %  
 9b Total employee contributions: \$ 0.00

10 Amount allocable to IRR within 5 years: \$ 0.00  
 11 1st year of desig. Roth contrib.   
 FATCA filing requirement

12 State tax withheld: \$ 1,020.00  
 13 State/Payer's state no.:  
 14 State distribution: \$ 25,547.88

15 Local tax withheld: \$  
 16 Name of locality:  
 17 Local distribution: \$

Form 1099-R Cat. No. 14496Q www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

In January you will receive a Form 1099-R that reports the total benefit you received from the Employees' Retirement System (ERS).

The statements will be mailed to you about January 25, 2019.

If you move into Maryland, make sure to complete the MW507P form to have State taxes withheld.

If you move outside of Maryland, we will stop your Maryland state tax deductions. We do not withhold taxes for states other than Maryland.

FORM MW 507P  
 Comptroller of Maryland  
 Revenue Administration Division  
 110 Carroll Street  
 Annapolis, Maryland 21411-0001

Maryland Income Tax Withholding for Annuity, Sick Pay and Retirement Distributions

Type or print full name: \_\_\_\_\_ Social Security number: \_\_\_\_\_  
 Home address (number & street): \_\_\_\_\_  
 City, state and zip code: \_\_\_\_\_

A. Contract claim or identification number: \_\_\_\_\_ N/A  
 B. Enter the amount withheld from each annuity, sick pay or retirement distribution payment: \$ \_\_\_\_\_

I request voluntary income tax withholding from any annuity, sick pay or retirement distribution payments as authorized by Section 10-9-07(b) of the Tax-General Article of the Annotated Code of Maryland.

COMWRAD 044 11-42 (Signature) \_\_\_\_\_ (Date) \_\_\_\_\_

## Account Forms Review

A review of all personal information is important because of life changes that might have occurred during the year.

- Beneficiary Forms
- Direct Deposit/Tax Withholding
- Address Change

ERS Retirees please visit our website for forms at: [https://montgomerycountymd.gov/mcerp/ers/forms\\_retired.html](https://montgomerycountymd.gov/mcerp/ers/forms_retired.html)

## 2019 ERS Pension Deposit Schedule

January 2, 2019	July 1, 2019
February 1, 2019	August 1, 2019
March 1, 2019	September 2, 2019
April 1, 2019	October 1, 2019
May 1, 2019	November 1, 2019
June 3, 2019	December 2, 2019

# Top Things New ERS Retirees Should Know

**We Are Here For You!** MCERP is not only providing customer service for our employees but for our retired members as well. You might not be aware of some of the resources available, so we have highlighted a few:

**1**

## When and how the COLAs are determined:

The Cost of Living Adjustment (COLA) is an annual adjustment to your monthly pension benefit which reflects the change in the Consumer Price Index (CPI) from May 1 of the prior year through May 1 of the current year. It is applied July 1 and if you retire on/after July, you will receive your first COLA the following year.

**2**

## Survivor Benefits:

If you elect the Joint & Survivor option at retirement and your spouse precedes you in death and you remarry, you cannot add your new spouse as a Joint Annuitant. If you select the Joint & Survivor “PopUp” option, your benefit will pop up to the Modified Cash Refund option amount in the event of your spouse’s death.

**3**

## Monthly pension benefit:

To obtain an income verification letter outlining your monthly annuity benefits, call MCERP at (240) 777-8230 or email us at [retirement@montgomerycountymd.gov](mailto:retirement@montgomerycountymd.gov).

**4**

## Social Security Seminars:

Social Security seminars are held 5 times a year in the Executive Office Building (EOB) Lobby Level from 3-5pm. To register, please sign-up by using the link shown below:

[www.SignUpGenius.com/go/5080E4EA4A62AA6F85-social1](http://www.SignUpGenius.com/go/5080E4EA4A62AA6F85-social1)

**5**

## Health Insurance:

Please call the County’s Office of Human Resources (OHR) with any insurance questions at (240) 773-6471 Monday – Friday 8am – 5pm.

**6**

## When to contact MCERP:

Please let us know if your name, phone number, or address changes. These changes can be made online with your AccessMCG credentials. If you do not have your credentials, please call (240) 777-8230 and we will provide assistance. To obtain forms for tax or direct deposit changes, visit our website at:

[https://montgomerycountymd.gov/mcerp/ers/forms\\_retired.html](https://montgomerycountymd.gov/mcerp/ers/forms_retired.html)

If you have a life change such as a death or divorce, please call (240) 777-8230 or email us at [retirement@montgomerycountymd.gov](mailto:retirement@montgomerycountymd.gov).

**7**

## Investment Counseling for County Deferred Compensation Plan:

If you have an account balance with Fidelity, you are entitled to meet with a Fidelity representative to answer questions on investments, distributions or other related topics. For an office near you call (800) 343-0860 or (240) 777-8228.

You also have the option to meet with Cambridge Investment Research, an independent financial planner, to discuss your financial goals and review your asset allocation. To make an appointment use the link shown below:

<https://montgomerycountymd.gov/mcerp/investment/education/sessions/rsp-npc-sessions.html>

# Employees' Retirement System (ERS) including GRIP

The ERS was established in 1965 as a cost-sharing, multiple-employer defined benefit pension plan to provide benefits to the employees of the County and other agencies or political subdivisions that elect to participate. The County Council passed legislation in 2009 enabling the County to establish and maintain the GRIP, a cash balance plan that is part of the ERS, for employees. The ERS is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and GRIP participants. ERS benefits are determined based on the participant's years worked, age at retirement, and average final earnings. GRIP benefits are determined based upon the participant's account balance, which includes contributions and earnings.

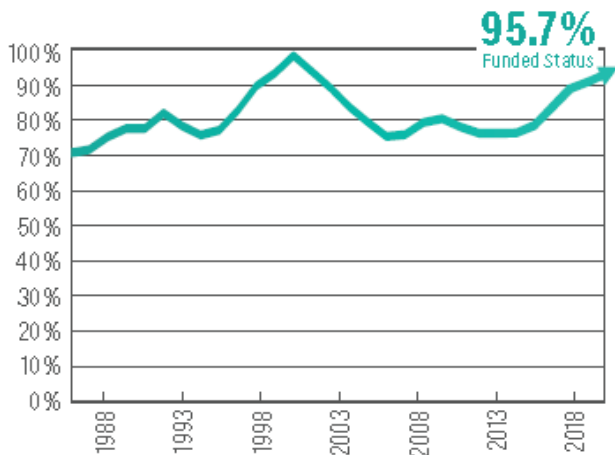
## Membership Data

Membership - Fiscal Year 2018	ERS	GRIP
Active Participants	3,886	2,118
Former Participants	489	304
Retiree & Other Benefit Recipients	6,615	
<b>Total Membership</b>	<b>10,990</b>	<b>2,422</b>

## ERS Average Annual Retirement Benefit

2018	2017
\$36,117	\$36,084

## ERS Funded History



## Funded Status

The funded status of a retirement plan measures the progress of accumulating the funds necessary to meet future obligations and is an important indicator of the soundness of a retirement plan. The funded status reflects the assets of the retirement plan available to pay benefit payments.

The funded status is affected by membership experience, as well as demographics, economic changes, and investment performance. The aggregate funded status of the 100 largest U.S. public pension plans was 71.2% as of June 30, 2018.\*

\*Milliman Public Pension Funding Index, 2<sup>nd</sup> Quarter 2018

## Growth of Assets

As of June 30, 2018, the market value of the ERS assets were \$4.149 billion, as compared to \$3.934 billion at June 30, 2017. The increase of \$216 million was attributable to the following:

- An increase of \$122 million from employer and employee contributions
- An increase of \$340 million from investment gains
- A decrease of \$246 million due to the payment of benefits to ERS retired and terminated participants and administrative expenses

## ERS Assets



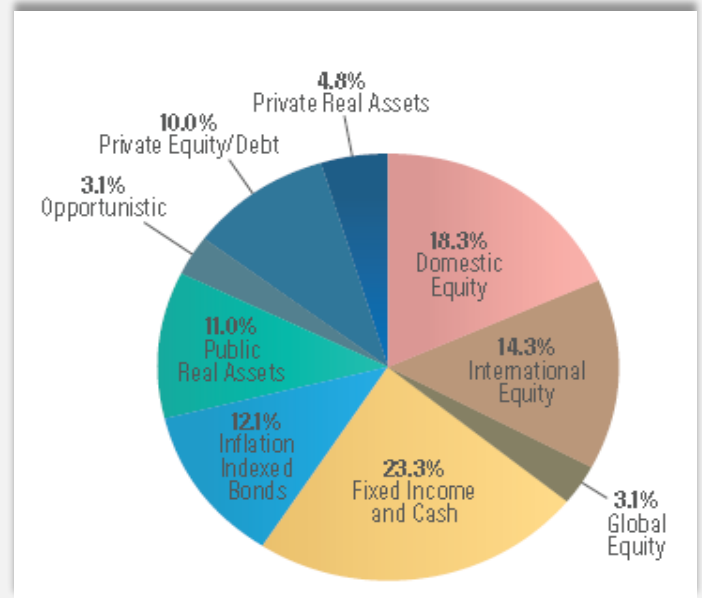
# Employees' Retirement System (ERS) including GRIP

## Investment Allocation

The Board invests ERS assets across a broad array of asset classes resulting in the June 30, 2018 allocation presented in the chart to the right. In overseeing the management of ERS assets, the Board has developed sound and prudent investment policies. The Board works to control the risk to which the ERS is exposed while maximizing the potential for long term increases in the value of the assets.

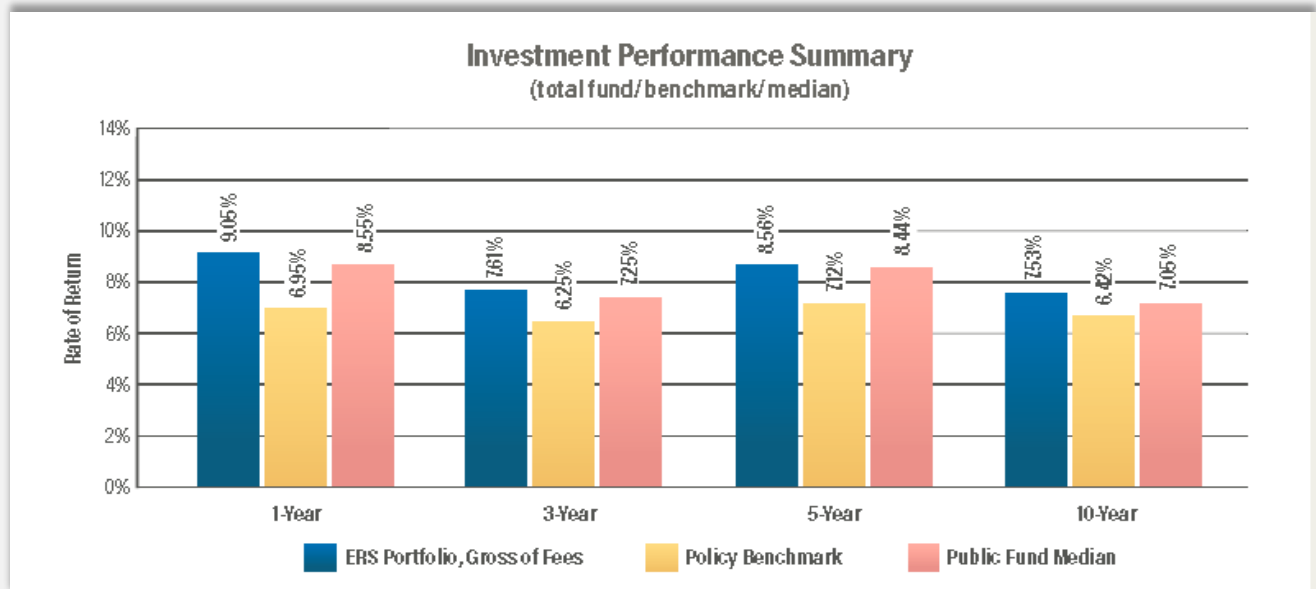
The Board's specific investment objectives are to:

- Realize the actuarial assumed rate of return of 7.5% annually, over a long term time horizon
- Manage portfolio risk to limit potential downside fluctuations in the value of the total ERS assets
- Realize as high a rate of total return as possible consistent with the above



## Investment Performance Summary

The majority of the average retiree's benefit is paid from investment earnings. The median return among U.S. public pension plans over \$1 billion in size in FY 2018 was 8.6%, gross of fees. The ERS' return for the fiscal year was a gain of 9.1%, gross of fees, ranking in the top third of its peer universe. The key drivers of the performance for the twelve-month period ending June 30, 2018 were the ERS' domestic and private equity holdings. The ERS' five-year return of 8.6% ranks above the median of the peer group universe, while its ten-year return of 7.5% ranks in the top 10%. Shown below is a comparison of the ERS' returns to its policy benchmark, which is composed of market indexes with weightings reflective of the ERS' asset allocation targets. Also shown is the public fund peer group comprised of funds with assets over \$1B.

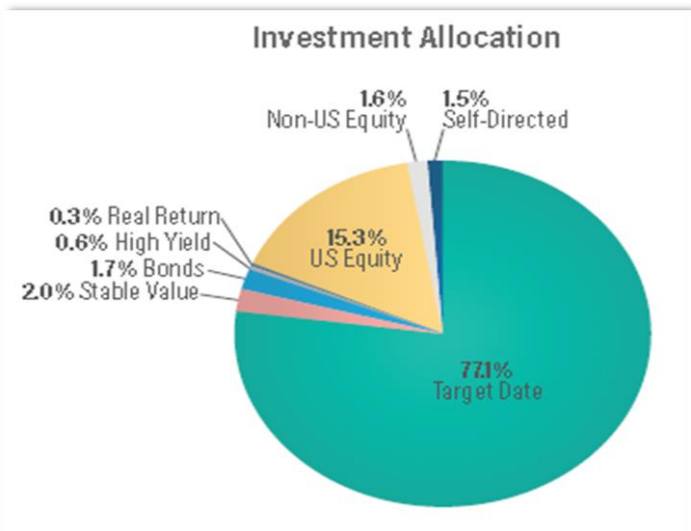


# Retirement Savings & Deferred Compensation Plans

## Retirement Savings Plan (RSP)

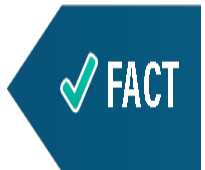
The RSP was established in 1994 as a cost-sharing multiple-employer defined contribution retirement plan to provide benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. Non-public safety employees contribute 4% of regular earnings up to the Social Security wage base and 8% above the wage base. Public safety employees contribute 3% up to the Social Security wage base and 6% above the wage base. During FY18, the County and participating agency employers contributed 8% of regular earnings for non-public safety employees, and 10% of regular earnings for public safety employees, as required by County law.

The Board has established a diversified slate of mutual and commingled funds from which participants may select investment options. The chart to the left depicts the allocation of RSP assets as of June 30, 2018.



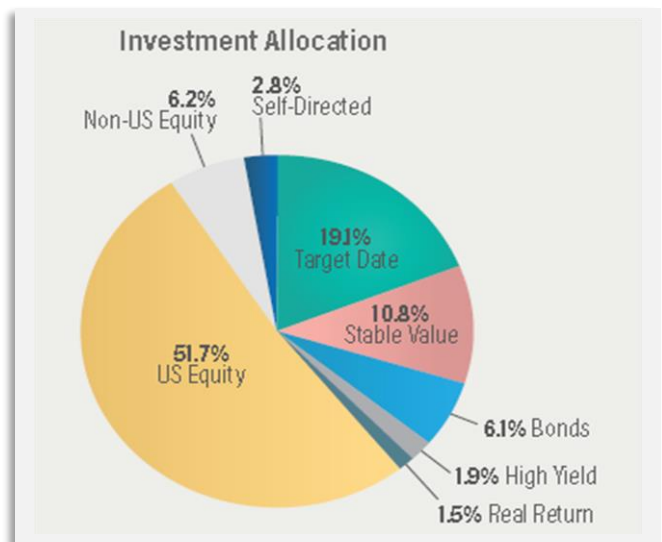
Membership - Fiscal Year 2018	
Active Members	3,516
Inactive Members	1,013
<b>Total Membership</b>	<b>4,529</b>

*Target Date Funds invest in a combination of equities, bonds, and other assets. The asset allocation is adjusted over time to balance risk and return throughout a participant's lifetime. Each strategy is managed with an estimated retirement date, becoming more conservative (less equity exposure) to and through retirement.*



## Deferred Compensation Plan (DCP)

The County established the DCP for employees in 1980. All non-represented employees are eligible to join the DCP at any time, and non-represented employees hired after June 6, 2010 are automatically enrolled in the DCP 60 days after the date they are hired with a 1% contribution unless a written election not to participate is submitted. Employees who are members of Municipal and County Government Employees Organization (MCGEO) and were hired prior to March 1, 2005 and were not members of the DCP at that time, time, may also join the plan at any time. The Board has established a diversified slate of mutual and commingled funds, administered by Fidelity, from which participants may select investment options.



Membership - Fiscal Year 2018	
Active Members	2,184
Inactive Members	1,107
<b>Total Members</b>	<b>3,291</b>



*For calendar year 2019, annual contributions are limited to the lesser of \$19,000 or 100% of the employee's compensation. Participants who are age 50 or older may make an additional annual catch-up contribution of \$6,000.00. In addition, participants may be eligible to participate in the 3-year catch-up option.*

# Do you know how much money you need to retire?

How much do you need to save for retirement is one of the most common questions participants ask.

There are so many unknowns: When will you retire? How much will you spend in retirement? How do I calculate how much to withdraw? What do you think your lifestyle will be in retirement? Do you expect your expenses, including taxes, to go down when you retire?

The age you plan to retire can have a big effect on the amount you need to save. The longer you delay retirement, the more years of savings and compounded earnings you will have. This means you will have fewer years in retirement, a higher Social Security benefit and a higher probability that you can maintain your current lifestyle and have money left over.

Do you know if you are on track? A financial consultant can help you review your financial situation and activate a plan of action, choose an appropriate investment mix, adjust your portfolio over time, and withdraw your savings in a tax-efficient way to help realize your saving goals.

Working with a financial consultant can provide:

- ❖ annual portfolio reviews and progress reports
- ❖ updates to reflect new goals or life events
- ❖ management of investment risks
- ❖ discussions of tax law changes and the impact to your retirement goals

Whether you want to plan for retirement, pay for college, buy a house or have other financial goals, Cambridge Investment Research, the onsite financial consultant for the RSP and County DCP participants, can help you build an investment strategy that fits your needs.

**Ready to get started? Make your appointment today!**

RSP and DCP Participants

<https://montgomerycountymd.gov/mcerp/investment/education/sessions/rsp-npc-sessions.html>

GRIP Participants can make an appointment to meet with the Fidelity on-site representative.

<https://www.montgomerycountymd.gov/mcerp/investment/education/sessions/one-on-one.html>

Need help scheduling an appointment? Call MCERP at (240) 777 – 8230 for assistance.

